

NEWS RELEASE

FOR RELEASE _____

Cline, DeVries & Allen, LLP today released an audit report on the City of Jefferson, Iowa.

The City and its component unit receipts totaled \$7,205,495 for the year ended June 30, 2013, a nine percent increase from 2012. The receipts included \$1,812,279 in property tax, \$123,983 from tax increment financing collections, \$3,308,599 from charges for service, \$399,112 from operating grants, contributions and restricted interest, \$478,171 from capital grants, contributions, and restricted interest, \$9,009 from unrestricted investment earnings and \$1,074,342 from other general receipts.

Disbursements for the year totaled \$8,253,527, a twenty-seven percent decrease from the prior year, and included \$1,063,153 for community and economic development, \$2,231,786 for capital projects, and \$895,093 for culture and recreation. Also, disbursements for business type activities totaled \$2,060,001.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

CITY OF JEFFERSON
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

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City of Jefferson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Berry	Mayor	Jan 2016
Shannon Black	Mayor Pro-Tem	Jan 2016
Larry Teeple	Council Member	Jan 2014
Lisa Jaskey	Council Member	Jan 2016
Bill Figenshaw	Council Member	Jan 2014
Gary Von Ahsen	Council Member	Jan 2014
Diane Kennedy	Clerk	Jan 2014
Robert A. Schwarzkopf	Attorney	Jan 2014

City of Jefferson

CLINE, DeVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements of the City's primary government listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of Jefferson as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jefferson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The City has not presented management's discussion and analysis which introduces the primary government financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the primary government financial statements.

The other information, the budgetary comparison of information on pages 25-27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2014 on our consideration of the City of Jefferson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts

and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Jefferson's internal control over financial reporting and compliance.

January 24, 2014
Cline DeVries & Allen, LLP
Ames, Iowa

City of Jefferson

Basic Financial Statements

City of Jefferson

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 592,421	32,860	47,550	-
Public works	411,183	511,202	37,933	-
Culture and recreation	895,093	357,829	85,180	-
Community and economic development	1,063,153	13,351	158,005	240,671
Health and social services	21,065	-	20,763	-
General government	507,874	-	-	-
Debt service	414,524	-	-	-
Capital projects	2,231,786	-	-	237,500
Total governmental activities	6,137,099	915,242	349,431	478,171
Business type activities:				
Water	646,563	1,033,886	-	-
Sewer	825,616	882,817	-	-
Sanitation	457,124	476,654	-	-
Recycling	130,698	-	49,681	-
Total business type activities	2,060,001	2,393,357	49,681	-
Component Unit:				
Airport	56,427	-	-	-
Total	\$ 8,253,527	3,308,599	399,112	478,171
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local options/sales tax				
Hotel/motel taxes				
Cable television taxes				
Unrestricted interest on investments				
Bond/note proceeds				
Sale of capital assets				
Miscellaneous				
Rent/dividend				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Non Expendable				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Governmental Activities	Business Type Activities	Total Primary Government	Major Discretely Presented Component Unit
(512,011)	-	(512,011)	-
137,952	-	137,952	8,896
(452,084)	-	(452,084)	-
(651,126)	-	(651,126)	-
(302)	-	(302)	-
(507,874)	-	(507,874)	-
(414,524)	-	(414,524)	-
(1,994,286)	-	(1,994,286)	-
(4,394,255)	-	(4,394,255)	8,896
-	387,323	387,323	-
-	57,201	57,201	-
-	19,530	19,530	-
(81,017)	-	(81,017)	-
(81,017)	464,054	383,037	-
-	-	-	56,427
(4,475,272)	464,054	(4,011,218)	(47,531)
1,459,295	-	1,459,295	-
352,984	-	352,984	-
123,983	-	123,983	-
366,230	-	366,230	-
42,164	-	42,164	-
33,347	-	33,347	-
4,024	4,985	9,009	-
413,304	-	413,304	-
4,201	-	4,201	-
14,480	140,182	154,662	-
385	-	385	51,153
186,000	(186,000)	-	-
3,000,397	(40,833)	2,959,564	51,153
(1,474,875)	423,221	(1,051,654)	3,622
4,684,888	2,452,244	7,137,132	55,930
\$ 3,210,013	2,875,465	6,085,478	59,552
\$ 176,512	-	176,512	-
234,635	-	234,635	-
128,746	-	128,746	-
7,894	32,000	39,894	-
725,255	-	725,255	-
1,936,971	2,843,465	4,780,436	59,552
\$ 3,210,013	2,875,465	6,085,478	59,552

City of Jefferson

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue		
	General	Employee Benefits	Downtown Streetscape
Receipts:			
Property tax	\$ 996,959	462,336	-
Tax increment financing collections	-	-	-
Other city tax	75,511	-	-
Licenses and permits	22,408	-	-
Use of money and property	4,253	-	-
Intergovernmental	131,543	-	237,500
Charges for service	355,781	-	-
Miscellaneous	76,803	-	93,052
Total receipts	1,663,258	462,336	330,552
Disbursements:			
Operating:			
Public safety	573,801	-	-
Public works	54,541	-	-
Health and social services	-	-	-
Culture and recreation	874,594	-	-
Community and economic development	562,178	-	-
General government	507,874	-	-
Debt service	-	-	-
Capital projects	-	-	1,585,897
Business type activities	-	-	-
Total disbursements	2,572,988	-	1,585,897
Excess (deficiency) of receipts over (under) disbursements	(909,730)	462,336	(1,255,345)
Other financing sources (uses):			
Bond/Note proceeds	-	-	-
Sale of capital assets	3,000	-	-
Operating transfers in	663,679	-	-
Operating transfers out	(29,000)	(440,679)	-
Total other financing sources (uses)	637,679	(440,679)	-
Change in cash balances	(272,051)	21,657	(1,255,345)
Cash balances beginning of year	938,643	212,060	594,432
Cash balances end of year	\$ 666,592	233,717	(660,913)
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Urban renewal purposes	-	-	-
Debt service	-	-	-
Streets	-	-	-
Other purposes	-	233,717	(660,913)
Unassigned	666,592	-	-
Total cash basis fund balances	\$ 666,592	233,717	(660,913)

See notes to financial statements.

Exhibit B

<u>Debt Service</u>		
<u>General</u>		
<u>Obligation</u>		
<u>Debt</u>	<u>Nonmajor</u>	<u>Total</u>
352,984	-	1,812,279
-	123,983	123,983
-	366,230	441,741
-	-	22,408
-	156	4,409
-	615,085	984,128
-	82,414	438,195
-	192,419	362,274
<u>352,984</u>	<u>1,380,287</u>	<u>4,189,417</u>
-	18,620	592,421
-	356,642	411,183
-	21,065	21,065
-	20,499	895,093
-	500,975	1,063,153
-	-	507,874
414,524	-	414,524
-	645,889	2,231,786
-	130,698	130,698
<u>414,524</u>	<u>1,694,388</u>	<u>6,267,797</u>
<u>(61,540)</u>	<u>(314,101)</u>	<u>(2,078,380)</u>
413,304	-	413,304
-	1,200	4,200
-	56,500	720,179
-	(64,500)	(534,179)
<u>413,304</u>	<u>(6,800)</u>	<u>603,504</u>
351,764	(320,901)	(1,474,876)
<u>1,105,873</u>	<u>1,833,881</u>	<u>4,684,889</u>
<u>1,457,637</u>	<u>1,512,980</u>	<u>3,210,013</u>
-	176,512	176,512
-	128,746	128,746
1,457,637	7,894	1,465,531
-	234,635	234,635
-	725,255	298,059
-	239,938	906,530
<u>1,457,637</u>	<u>1,512,980</u>	<u>3,210,013</u>

City of Jefferson

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise Funds				Component	Total
	Water	Sewer	Sanitation	Total	Unit - Airport	
Operating receipts:						
Use of money and property	\$ -	-	-	-	51,153	51,153
Charges for service	1,018,362	882,817	476,039	2,377,218	8,896	2,386,114
Miscellaneous	15,524	140,182	615	156,321	-	156,321
Total operating receipts	1,033,886	1,022,999	476,654	2,533,539	60,049	2,593,588
Operating disbursements:						
Business type activities	646,563	512,009	457,124	1,615,696	56,427	1,672,123
Total operating disbursements	646,563	512,009	457,124	1,615,696	56,427	1,672,123
Excess of operating receipts over operating disbursements	387,323	510,990	19,530	917,843	3,622	921,465
Non-operating receipts(disbursements):						
Interest on investments	2,480	2,505	-	4,985	-	4,985
Debt service	-	(313,607)	-	(313,607)	-	(313,607)
Net non-operating receipts(disbursements)	2,480	(311,102)	-	(308,622)	-	(308,622)
Excess of receipts over disbursements	389,803	199,888	19,530	609,221	3,622	612,843
Operating transfers out	(62,000)	(52,000)	(72,000)	(186,000)	-	(186,000)
Change in cash balances	327,803	147,888	(52,470)	423,221	3,622	426,843
Cash balances beginning of year	1,557,585	583,603	311,056	2,452,244	55,930	2,508,174
Cash balances end of year	\$ 1,885,388	731,491	258,586	2,875,465	59,552	2,935,017
Cash Basis Fund Balances						
Restricted for debt service	\$ -	32,000	-	32,000	-	32,000
Unrestricted	1,885,388	699,491	258,586	2,843,465	59,552	2,903,017
Total cash basis fund balances	\$ 1,885,388	731,491	258,586	2,875,465	59,552	2,935,017

See notes to financial statements.

City of Jefferson

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

The City of Jefferson is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jefferson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Jefferson (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operate the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport is presented as a Business Type Fund.

Jointly Governed Organizations

The City participates in jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Greene County Recycling Agency, Central Iowa Area Safety and Support Organization, the E 911 Board, and the Golden Circle Municipal Officers Association.

City officials are also members of the Greene County Development Corporation (GCDC) Board. The City paid a total of \$45,000 to GCDC during the fiscal year ended June 30, 2013.

City officials are also members of the North Dallas County Landfill Commission. See Note 8 for disclosures.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Assets presents the City's nonfiduciary net position. Net assets are reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns

in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for employee benefits financed by the levy for employee benefits.

The Downtown Streetscape Fund is used to account for the monies being donated to the City and the costs of the improvements being done to the downtown area.

Debt Service:

The General Obligation Debt Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise Sanitation Fund accounts for the operation of the City's sanitation services.

The City also reports the following component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

C. Measurement Focus and Basis of Accounting

The City of Jefferson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the

program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, debt service and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City and its component unit own approximately \$2,325 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. Therefore market value of the stock is not determinable. The stock is recorded on the books at \$2,325. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa. The City's investment in the Coop stock is unrated.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$374 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in IPAIT is unrated.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, the recycling truck and revenue bonds and notes are as follows:

Year Ending	General Obligation Bonds		Recycling Truck		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30,								
2014	430,000	49,123	2,667	80	251,000	61,296	683,667	110,499
2015	425,000	39,750	-	-	235,000	55,900	660,000	95,650
2016	400,000	34,500	-	-	240,000	50,847	640,000	85,347
2017	405,000	30,250	-	-	245,000	45,688	650,000	75,938
2018	305,000	25,450	-	-	250,000	40,420	555,000	65,870
2019-2023	1,420,000	65,045			1,345,000	118,680	2,765,000	183,725
2024	-	-	-	-	285,000	6,128	285,000	6,128
Total	\$ 3,385,000	244,118	2,667	80	2,851,000	378,959	6,238,667	623,157

Revenue Bonds and Notes

The City has pledged future sewer revenue receipts, net of specified operating disbursements to repay the revenue bonds and notes. Proceeds of the bonds and notes provided financing for the construction of sewer main improvements. The bonds and notes are payable solely from the sewer customer net receipts. The sewer revenue bonds are payable thru 2024. Total principal and interest paid during the year for the sewer revenue bonds was \$313,607 and total customer net receipts were \$513,230.

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue sinking account within the Enterprise Funds for the sole purpose of making the bond and note principal and interest payments when due.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$136,577, \$124,029 and \$107,629, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time termination payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 33,852

This liability has been computed based on rates of pay in effect at June 30, 2013. Sick leave is payable when used. It is not paid upon termination, retirement, or death.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Health Insurance Sinking	General	9,000
Library	General	4,000
Equipment Replacement	General	16,000
Equipment Replacement	Special Revenue: Recycling	7,500
Equipment Replacement	Enterprise: Sanitation	20,000
		<u>56,500</u>
General	Special Revenue: Road Use Tax	52,000
General	Recycling	5,000
General	Employee Benefits	440,679
General	Enterprise: Water	62,000
General	Sewer	52,000
General	Sanitation	52,000
		<u>663,679</u>
Total		<u>720,179</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) North Dallas County Landfill

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

(9) Lease

The City has entered into a lease agreement with Van Horn Partnership for approximately 133 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2013, the City received a total of \$34,330 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

The City also entered into a lease and management agreement with MALH, LLC for operation of the City owned golf course. The lease term is from April 4, 2013 thru December 31, 2013. MALH, LLC will be entitled to all revenue generated in connection with the operation of the golf course and no payments will be made by the City in connection with the lease or management agreement.

(10) Health Insurance

The City's health insurance plan includes a deductible of \$1,500 for single coverage and \$3,000 for family coverage. The City reimburses the first \$1,200 of the deductibles for individuals with single coverage and the first \$2,400 of the deductibles for individuals with family coverage after the employee has paid at least \$200 of the deductible on a single policy and \$400 of the deductible on a family policy. The City also pays up to a maximum of \$500 per employee per year for in-patient hospitalization. During the year ended June 30, 2013, the City reimbursed employees a total of \$15,069. The maximum liability the City could pay out in one fiscal year is \$83,200 based on the number of employees under single or family insurance at June 30, 2013.

(11) Deficit Fund Balances

The following funds had a deficit balance at June 30, 2013:

Special Revenue:

Cemetery Land Reserve	\$ 1,422
Housing Rehabilitation	12,121
Downtown Streetscape	660,913

Capital Projects:

Airport Improvements	4,093
Railroad Grade Separation	53,436

The deficits will be eliminated by receipt of transfers and grant funds.

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling \$4,374 during the year ended June 30, 2013.

(13) Construction Contracts

The City has entered into construction contract commitments totaling \$4,207,726 that have remaining commitments at June 30, 2013 of \$2,531,753.

(14) Rebate Agreements

The City has entered into various rebate agreements to assist in certain urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers.

The total to be paid by the City under the agreements is not to exceed \$3,960,000. The total amount rebated during the year ended June 30, 2013 was \$83,688. The City has rebated a total of \$681,443 of incremental property tax under the agreements. The outstanding balance of the agreements at June 30, 2013 was \$3,278,557.

The final payment on the West Central Cooperative agreement was made during the fiscal year ended June 30, 2013, bringing total payments to date up to \$660,000.

In 2013, the City entered into a rebate agreement with Cobblestone Hotel Group, LLC. The City is providing tax rebates not to exceed \$800,000 plus accrued interest at 4.35% per year over 15 years to the developer to finance the construction of a hotel including an indoor pool and a banquet facility.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City.

(15) Subsequent Events

In July 2013, the City entered into a development agreement which will provide incremental property tax rebate payments not to exceed \$450,000 for the construction of a new Hy-Vee Grocery Store on a portion of property added to the Urban Renewal Area.

Subsequent events have been evaluated through January 24, 2014, the date of this report.

Other Information

City of Jefferson
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Unit Included in the Budget	Total
Receipts:				
Property tax	\$ 1,812,279	-	-	1,812,279
Tax increment financing collections	123,983	-	-	123,983
Other city tax	441,741	-	-	441,741
Licenses and permits	22,408	-	-	22,408
Use of money and property	4,409	4,985	51,153	60,547
Intergovernmental	984,128	-	-	984,128
Charges for service	438,195	2,391,818	8,896	2,838,909
Special assessments	-	-	-	-
Miscellaneous	362,274	141,721	-	503,995
Total receipts	4,189,417	2,538,524	60,049	6,787,990
Disbursements:				
Public safety	592,421	-	-	592,421
Public works	411,183	-	-	411,183
Health and Social Services	21,065	-	-	21,065
Culture and recreation	895,093	-	-	895,093
Community and economic development	1,063,153	-	-	1,063,153
General government	507,874	-	-	507,874
Debt service	414,524	313,607	-	728,131
Capital projects	2,231,786	-	-	2,231,786
Business type activities	130,698	1,615,696	56,427	1,802,821
Total disbursements	6,267,797	1,929,303	56,427	8,253,527
Excess (deficiency) of receipts over (under) disbursements	(2,078,380)	609,221	3,622	(1,465,537)
Other financing sources, net	603,504	(186,000)	-	417,504
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,474,876)	423,221	3,622	(1,048,033)
Balances beginning of year	4,684,889	2,452,244	55,930	7,193,063
Balances end of year	\$ 3,210,013	2,875,465	59,552	6,145,030

See accompanying independent auditors' report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
1,756,873	1,756,873	55,406
145,651	145,651	(21,668)
439,617	945,617	(503,876)
14,250	20,150	2,258
74,152	85,652	(25,105)
479,516	1,106,866	(122,738)
2,859,489	2,874,789	(35,880)
-	-	-
51,800	260,975	243,020
5,821,348	7,196,573	(408,583)
589,812	615,812	23,391
378,664	388,664	(22,519)
14,000	14,000	(7,065)
896,285	1,207,285	312,192
278,651	731,651	(331,502)
506,955	519,955	12,081
351,786	415,786	(312,345)
310,000	1,635,000	(596,786)
1,811,780	2,051,780	248,959
5,137,933	7,579,933	(673,594)
683,415	(383,360)	(1,082,177)
-	-	417,504
683,415	(383,360)	(664,673)
5,567,933	7,193,063	-
6,251,348	6,809,703	(664,673)

City of Jefferson

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Enterprise Funds, the Permanent Fund and the Component Unit. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$1,375,225 and increased budgeted disbursements by \$2,442,000, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public works, health and social services, community and economic development, debt service and capital projects functions.

Supplementary Information

City of Jefferson

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds**

As of and for the year ended June 30, 2013

	Special						
	Housing Rehabilitation	Road Use Tax	Urban Renewal Tax Increment	Recycling	Police Federal Forfeiture	Enrich Iowa	Unemployment Compensation
Receipts:							
Tax increment financing	-	-	123,983	-	-	-	-
Other city tax	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-
Intergovernmental	141,290	416,103	-	45,338	-	1,714	-
Charges for service	-	1,860	-	80,554	-	-	-
Miscellaneous	-	-	-	4,343	1,500	-	-
Total receipts	141,290	417,963	123,983	130,235	1,500	1,714	-
Disbursements:							
Operating:							
Public safety	-	-	-	-	2,626	-	-
Public works	-	356,642	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,714	-
Community and economic development	153,411	-	87,968	-	-	-	-
Health and social services	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Business type activities	-	-	-	130,698	-	-	-
Total disbursements	153,411	356,642	87,968	130,698	2,626	1,714	-
Excess (deficiency) of receipts over (under) disbursements	(12,121)	61,321	36,015	(463)	(1,126)	-	-
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	1,200	-	-
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	(52,000)	-	(12,500)	-	-	-
Total other financing sources	-	(52,000)	-	(12,500)	1,200	-	-
Change in cash balances	(12,121)	9,321	36,015	(12,963)	74	-	-
Cash balances beginning of year	-	225,314	92,731	146,701	1,613	1,388	28,600
Cash balances end of year	\$ (12,121)	234,635	128,746	133,738	1,687	1,388	28,600
Cash Basis Fund Balances							
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-	-	-
Restricted for:							
Streets	-	234,635	-	-	-	-	-
Urban renewal	-	-	128,746	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	(12,121)	-	-	-	1,687	1,388	-
Unassigned	-	-	-	133,738	-	-	28,600
Total cash basis fund balances	\$ (12,121)	234,635	128,746	133,738	1,687	1,388	28,600

See accompanying independent auditors' report.

Revenue						
LEC Capital Improvement	Skate Park	Library	Cemetery Mausoleum	Industrial Development	Cemetery Land Reserve	Community Center
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	41	35	3	2
8,769	-	1,871	-	-	-	-
-	-	-	-	-	-	-
-	-	15,665	-	-	-	-
8,769	-	17,536	41	35	3	2
15,994	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	18,785	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
15,994	-	18,785	-	-	-	-
(7,225)	-	(1,249)	41	35	3	2
-	-	-	-	-	-	-
-	-	4,000	-	-	-	-
-	-	-	-	-	-	-
-	-	4,000	-	-	-	-
(7,225)	-	2,751	41	35	3	2
21,065	1,525	41,115	11,263	34,822	(1,425)	5,781
13,840	1,525	43,866	11,304	34,857	(1,422)	5,783
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	11,304	34,857	(1,422)	5,783
13,840	1,525	43,866	-	-	-	-
13,840	1,525	43,866	11,304	34,857	(1,422)	5,783

City of Jefferson

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances**

Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue						
	Payroll Clearing	Equipment Replacement	Cafeteria Plan	Insurance and Employee Benefits	Health Insurance	Local Option Sales Tax	Neighborhood Stabilization
Receipts:							
Tax increment financing	-	-	-	-	-	-	-
Other city tax	-	-	-	-	-	366,230	-
Use of money and property	-	75	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for service	-	-	-	-	-	-	-
Miscellaneous	-	-	5,476	-	15,287	6,329	139,019
Total receipts	-	75	5,476	-	15,287	372,559	139,019
Disbursements:							
Operating:							
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	-	-	259,596
Health and social services	-	-	5,996	-	15,069	-	-
Capital projects	-	-	-	-	-	496,730	-
Business type activities	-	-	-	-	-	-	-
Total disbursements	-	-	5,996	-	15,069	496,730	259,596
Excess (deficiency) of receipts over (under) disbursements	-	75	(520)	-	218	(124,171)	(120,577)
Other financing sources (uses):							
Sale of fixed assets	-	-	-	-	-	-	-
Operating transfers in	-	43,500	-	-	9,000	-	-
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources	-	43,500	-	-	9,000	-	-
Net change in cash balances	-	43,575	(520)	-	9,218	(124,171)	(120,577)
Cash balances beginning of year	7,333	127,519	3,946	45,090	30,773	438,393	230,533
Cash balances end of year	7,333	171,094	3,426	45,090	39,991	314,222	109,956
Cash Basis Fund Balances							
Nonspendable - Cemetery perpetual care	-	-	-	-	-	-	-
Restricted for:							
Streets	-	-	-	-	-	-	-
Urban renewal	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	171,094	3,426	45,090	39,991	314,222	109,956
Unassigned	7,333	-	-	-	-	-	-
Total cash basis fund balances	7,333	171,094	3,426	45,090	39,991	314,222	109,956

See accompanying independent auditors' report.

Capital Projects	Debt Service Tax Increment Financing	Permanent Cemetery Perpetual Care	Total
-	-	-	123,983
-	-	-	366,230
-	-	-	156
-	-	-	615,085
-	-	-	82,414
-	-	4,800	192,419
-	-	4,800	1,380,287
-	-	-	18,620
-	-	-	356,642
-	-	-	20,499
-	-	-	500,975
-	-	-	21,065
149,159	-	-	645,889
-	-	-	130,698
149,159	-	-	1,694,388
(149,159)	-	4,800	(314,101)
-	-	-	1,200
-	-	-	56,500
-	-	-	(64,500)
-	-	-	(6,800)
(149,159)	-	4,800	(320,901)
160,195	7,894	171,712	1,833,881
11,036	7,894	176,512	1,512,980
-	-	176,512	176,512
-	-	-	234,635
-	-	-	128,746
-	7,894	-	7,894
-	-	-	725,255
11,036	-	-	239,938
11,036	7,894	176,512	1,512,980

City of Jefferson
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Urban renewal corporate purpose	Jun 12, 2012	.75-1.90	2,325,000
Refunding bonds	Apr 4, 2012	1.00	995,000
Corporate purpose bonds	Nov 30, 2012	2.15	405,000
Revenue Bonds:			
2012 Sewer revenue bonds	Mar 15, 2012	2.15	3,348,000
Recycling truck	Oct 2007	3.00%	\$ 59,749

See accompanying independent auditors' report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 2,325,000	-	-	2,325,000	29,471	-
995,000	-	340,000	655,000	11,525	-
0	405,000	-	405,000	-	-
3,320,000	405,000	340,000	3,385,000	40,996	-
3,098,000	-	247,000	2,851,000	66,607	-
13,134	-	10,467	2,667	284	-

Schedule 3

City of Jefferson
Bond and Note Maturities
June 30, 2013

General Obligation Notes						
Corporate Purpose			Corporate Purpose		Corporate Purpose	
Year	Issued June 2012		Issued April 2012		Issued November 2012	
Ending	Interest		Interest		Interest	
June 30,	Rates	Amount	Rates	Amount	Rates	Amount
2014	.75-1.90	-	1.00	330,000	2.00	100,000
2015	.75-1.90	-	1.00	325,000	2.00	100,000
2016	.75-1.90	300,000		-	2.00	100,000
2017	.75-1.90	300,000		-	2.00	105,000
2018	.75-1.90	305,000		-		
2019-2023	.75-1.90	1,420,000		-		
Total		<u>\$ 2,325,000</u>		<u>\$ 655,000</u>		<u>\$ 405,000</u>
Revenue Bonds			Other Debt			
2012 Sewer Revenue Bonds			Recycling Truck			
Year	Issued Mar 2012		Issued 2007			
Ending	Interest		Interest			
June 30,	Rates	Amount	Rates	Amount		
2014	3.00	\$ 251,000	3.00	\$ 2,667		
2015	3.00	235,000		0		
2016	3.00	240,000		-		
2017	3.00	245,000		-		
2018	3.00	250,000		-		
2019-2023	3.00	1,345,000		-		
2024	3.00	285,000		-		
Total		<u>\$ 2,851,000</u>		<u>\$ 2,667</u>		

See accompanying independent auditors' report.

Schedule 4**City of Jefferson**

**Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:										
Property tax	\$ 1,812,279	\$ 1,794,961	\$ 1,719,267	\$ 1,691,846	\$ 1,664,104	\$ 1,558,793	\$ 1,586,705	\$ 1,599,116	\$ 1,535,837	\$ 1,413,435
Tax increment financing	123,983	52,999	126,533	114,103	113,542	358,511	307,079	251,752	206,592	184,977
Other city tax	441,741	413,014	425,258	425,470	461,913	335,753	144,994	56,549	55,725	57,917
Licenses and permits	22,408	23,099	16,912	23,739	17,592	26,435	33,796	18,089	18,303	14,600
Use of money and property	4,409	4,829	12,345	18,029	29,917	35,073	35,863	16,862	14,096	12,225
Intergovernmental	984,128	1,047,001	1,399,726	1,387,136	518,174	691,411	742,255	950,415	915,590	606,722
Charges for service	438,195	423,233	368,017	372,619	377,566	395,006	413,822	456,697	457,735	316,278
Miscellaneous	362,274	440,640	142,873	88,851	389,056	104,313	97,895	72,250	107,909	115,591
Total	\$ 4,189,417	\$ 4,199,776	\$ 4,210,931	\$ 4,121,793	\$ 3,571,864	\$ 3,505,295	\$ 3,362,409	\$ 3,421,730	\$ 3,311,787	\$ 2,721,745
Disbursements:										
Operating:										
Public safety	\$ 592,421	\$ 839,472	\$ 556,021	\$ 599,584	\$ 522,416	\$ 586,397	\$ 497,633	\$ 496,320	\$ 489,929	\$ 556,413
Public works	411,183	370,876	670,334	548,141	395,213	398,133	371,245	404,907	440,591	423,836
Culture and recreation	895,093	938,327	808,607	4,755	9,202	6,740	7,988	883,826	803,456	778,352
Community and economic development	1,063,153	754,177	846,638	809,681	865,424	834,445	871,208	478,638	410,310	154,769
Health and social services	21,065	16,365	9,166	555,759	224,503	608,126	297,139	15,142	8,492	-
General government	507,874	488,136	478,417	456,253	447,921	867,015	435,667	449,568	391,135	369,158
Debt service	414,524	1,360,326	353,579	334,210	337,605	461,684	588,602	595,908	1,700,641	577,531
Capital projects	2,231,786	1,281,238	472,417	571,143	583,660	59,528	155,407	878,420	2,344,771	4,102,904
Business type activities	130,698	120,628	108,057	105,400	114,192	81,851	207,691	80,398	-	-
Total	\$ 6,267,797	\$ 6,169,545	\$ 4,303,236	\$ 3,984,926	\$ 3,500,136	\$ 3,903,919	\$ 3,432,580	\$ 4,283,127	\$ 6,589,325	\$ 6,962,963

See accompanying independent auditors' report

Schedule 5

City of Jefferson

Schedule of Expenditures of Federal Awards

June 30, 2013

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants	14.228	11-HSG-027	\$ 141,290
Community Development Block Grants/State's Program	14.228	08-NSP-010	23,300
			<u>\$ 164,590</u>
Economic Development Initiative Community Planning & Development	14.251	B-10-SP-1A-0111	\$ 400,000
			<u>\$ 564,590</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Airport Improvement Program	20.106	3-19-0049-009-2013	\$ 25,374
Highway Planning and Construction	20.205	HDP-4-2(38)--1-37 STP-E-3800(601)-8V-32	\$ 41,466 5,143
State and Community Highway Safety	20.200	PAP 13-03	1,500
			<u>\$ 48,109</u>
Total			<u>\$ 638,073</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Jefferson and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditors' report

City of Jefferson

CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 24, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Jefferson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Jefferson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Jefferson's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jefferson's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Jefferson's Responses to Findings

The City of Jefferson's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Jefferson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Jefferson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 24, 2014
Cline DeVries & Allen, LLP
Ames, Iowa

**Independent Auditors' Report on Compliance for Each Major Federal Program, on
Internal Control over Compliance and on the Schedule of Expenditures of Federal
Awards Required by OMB Circular A-133**

CLINE, DEVRIES & ALLEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on Compliance for Each Major Federal Program, on Internal Control over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Jefferson, Iowa's compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2013. City of Jefferson's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contract and grant agreements applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Jefferson's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jefferson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the City of Jefferson's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Jefferson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the City of Jefferson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Jefferson's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

The City of Jefferson's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of Jefferson's response was not subjected to the auditing procedures applied in the audit of noncompliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Jefferson as of and for the year ended June 30, 2013, and have issued our report dated January 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other

additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

January 24, 2014
Cline DeVries & Allen, LLP
Ames, Iowa

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.251 Economic Development Initiative Community Planning & Development.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City did not qualify as a low-risk auditee.

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

II-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned - We will review our procedures.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Jefferson
Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

None reported.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 14.251 Economic Development Initiative
Community Planning & Development
Number: B-10-SP-1A-0111
U.S. Department of Housing and Urban Development

- III-A-13 **Segregation of Duties over Federal Receipts** – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-13.

City of Jefferson
Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-13 **Certified Budget** – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public works, health and social services, community and economic development, debt service, and capital projects functions.

Also, when the amended budget was published in the newspaper, the amount used for the beginning fund balance did not match what appeared on the approved amendment. The amount published was \$1,625,130 lower.

Recommendation – Although the budget was amended, it should have been amended in an amount sufficient to not be exceeded. The City should ensure the amounts published in the newspaper match the amounts on the actual form.

Response – We will do so in the future.

Conclusion – Response accepted.

- IV-B-13 **Questionable Disbursements** – We noted no disbursements that may not meet the test of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-13 **Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-13 **Business Transactions** – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Derek Teeples, brother of employee and son of Council Member, owner of Teeples Heating and Cooling	Services	\$ 3,394
Danny Moranville and Craig Kinsey, City employees and owners of Cityboys Elite Concrete	Services	980

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the above individuals do not represent conflicts of interest. \$2,837 of the services with Teeples Heating and Cooling were entered into thru the competitive bidding process, and the remaining \$587 is below the threshold.

IV-E-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-13 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-13 Deposits and Investments - The City and its component unit own \$2,325 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

IV-H-13 Financial Condition - The following funds had deficit balances at June 30, 2013.

Special Revenue - Housing Rehabilitation	\$ 12,121
Cemetery Land Reserve	1,422
Downtown Streetscape	660,913
Capital Projects - Airport Improvement	4,093
Railroad Grade Separation	53,436

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response - The deficits will be eliminated.

Conclusion - Response accepted.

IV-I-13 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted. However, the City is not crediting interest earned on the TIF fund as required.

Recommendation - Interest earned on the TIF fund should be credited to the TIF fund.

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Response - We will do so in the future.

Conclusion - Response accepted.

- IV-J-13 General Obligation Bonds - The General Obligation Refunding Series 2012A Bonds are callable and the City's balance in the Debt Service Fund is adequate to call some or all of the bonds.

Recommendation - The City should discuss calling the bonds.

Response - We will consider this.

Conclusion - Response accepted.

- IV-K-13 Billing Rates - It appears the City is not uniformly assessing penalties per their established policies. One customer tested was charged a 5% penalty, rather than 10%. This was due to increases in past years not getting entered correctly into the billing software.

Recommendation - The City should update their software to reflect the most recent penalty rates.

Response - We will do this.

Conclusion - Response accepted.